CONWEST EXPLORATION COMPANY LIMITED

THIRTY-EIGHTH ANNUAL REPORT

December 31 — 1976

Thirty-Eighth Annual Report

of

CONWEST EXPLORATION COMPANY LIMITED

OFFICERS	M. P. CONNELL	President
	J. C. LAMACRAFT	Executive Vice-President
	I. F. T. KENNEDY	Vice-President
	C. K. O'CONNOR	Vice-President, Exploration and Development
	J. A. PATTERSON	Secretary-Treasurer
	J. S. ADAMS	Assistant Secretary-Treasurer
DIRECTORS	W. C. CAMPBELL	Toronto, Ontario
	E. B. CONNELL	Spencerville, Ontario
	M. P. CONNELL	Toronto, Ontario
	S. E. JAMIESON	Toronto, Ontario
	I. F. T. KENNEDY	Toronto, Ontario
	J. C. LAMACRAFT	Toronto, Ontario
	C. K. O'CONNOR	Toronto, Ontario
TRANSFER AGENT AND REGISTRAR	MONTREAL TRUST COMPANY	Toronto, Ontario
BANKERS	THE ROYAL BANK OF CANADA	Toronto, Ontario
AUDITORS	CLARKSON, GORDON & CO.	Toronto, Ontario
SOLICITORS	DAVIES, WARD & BECK	Toronto, Ontario
ADMINISTRATIVE OFFICE	SUITE 1010, 85 RICHMOND STREET WEST	Toronto, Ontario
ANNUAL MEETING	June 29, 1977	Ascot Inn Highway 27 and Rexdale Boulevard Rexdale, Ontario

CONWEST EXPLORATION COMPANY LIMITED

Report of the Directors

To the Shareholders,
Conwest Exploration Company Limited.

Your Directors submit the Annual Report for the year ended December 31, 1976. Included are the consolidated financial statements and the auditors' report thereon. Also enclosed are the notice of annual and special general meeting, information circular and form of proxy.

The activities of your Company are carried out through a number of undertakings, the most important of which are reported on below.

EXPLORATION

Your Company is maintaining an extensive Canadian mineral exploration programme pursuant to an agreement with several related companies which provides for participation as follows:

Conwest Exploration Company Limited	30%
Calmor Iron Bay Mines Limited	18%
Chimo Gold Mines Limited	27%
Consolidated Canadian Faraday Limited ..	25%

The total amount expended during 1976 was $1,600,000. Expenditures by unrelated joint venturers on projects in which the above-named group participates were approximately $2,400,000, resulting in a total exploration exposure of $4,000,000.

The exploration budget for the joint activities of the above companies for 1977 is $1,500,000.

The Conwest Canadian Uranium Exploration Joint Venture operated for its first full calendar year during 1976 with a wide-ranging exploration effort being conducted throughout Canada. Conwest and certain related companies shared a 20% participation in the $1,600,000 budget of the Joint Venture as follows:

Conwest Exploration Company Limited	25%
Consolidated Canadian Faraday Limited ..	25%
International Mogul Mines Limited	25%
Chimo Gold Mines Limited	15%
Calmor Iron Bay Mines Limited	10%

The other participants in this Joint Venture, each contributing as to 20%, are Central Electricity Generating Board (a British agency), Eldorado Nuclear Limited. (a Canadian Crown corporation), Electrowatt Limited (a Swiss company) and Empressa Nacional Del Uranio, S.A. (a Spanish company).

The reports of Mr. C. K. O'Connor, Vice-President, Exploration and Development, and Dr. E. F. Evoy, Technical Director of the Conwest Canadian Uranium Exploration Joint Venture, are appended.

INTERNATIONAL MOGUL MINES LIMITED

During the year Conwest acquired a further 8.8% interest in International Mogul Mines Limited to hold 49.1% of the common shares issued and outstanding. The accounts of International Mogul are consolidated in the financial statements of your Company for the year ended December 31, 1976 on the

basis set out in Notes 1 and 2 to those financial statements. A copy of the report of the Directors of International Mogul is appended hereto.

CONSOLIDATED CANADIAN FARADAY LIMITED

Conwest holds, directly and indirectly, a 13% interest in Consolidated Canadian Faraday Limited, a mining and exploration company whose primary interest is a 49% interest in Madawaska Mines Limited. Madawaska owns and operates a mine located near Bancroft, Ontario.

The Madawaska mine, which produced over 5,800,000 lbs. of uranium oxide from April 1957 to June 1964, resumed production in September 1976. Progress in achieving full production levels has been slower than anticipated, primarily due to a shortage of skilled miners; otherwise operations are proceeding satisfactorily.

As elsewhere noted in this report, Faraday has a 25% participation in certain of Conwest's exploration activities.

CHANCE MINING AND EXPLORATION COMPANY LIMITED

Your Company holds a 54% interest in Chance Mining and Exploration Company Limited.

Chance has recently concluded agreements with Texasgulf Canada Limited providing for the exploration and development of certain of Chance's Timmins area properties. A diamond drill hole intersection of significant zinc-lead-silver values on or near the boundary of one of the Chance properties indicates that the value of this holding may become significant. A copy of the Directors' Report to the Shareholders of Chance Mining and Exploration Company Limited is appended.

BAY COPPER MINES LIMITED

Conwest holds an 80% interest in Bay Copper Mines Limited which was incorporated in 1955 to acquire a lead-zinc-silver prospect in the Bathurst area of New Brunswick.

Bay Copper optioned its property to Texasgulf Inc. in 1974. The option agreement provides for the amalgamation of the property and an adjacent Texasgulf property, subject to Bay Copper retaining a 10% net operating profits interest. Texasgulf are responsible for all exploration, development and other capital costs necessary to achieve commercial production, with no recovery therefor assessable against the Bay Copper interest.

Following up on a deep diamond drilling programme in 1975, which obtained several significant intersections, Texasgulf carried out a comprehensive programme in 1976 including detailed remapping, geochemical and geophysical surveys in an attempt to obtain a better understanding of the geological controls for the mineralization. This programme indicated several new drill targets. Further work in 1977, which will include diamond drilling, will attempt to locate additional mineralization at shallower depths to enhance the overall feasibility of the project.

MUSCOCHO EXPLORATIONS LIMITED

Conwest holds a 32% interest in Muscocho Explorations Limited.

Muscocho received $98,134 in royalty payments from Noranda during 1976 under a lease arrangement whereby Noranda has developed a copper deposit in Hebecourt Township, Quebec, in which Muscocho holds a 15.55% interest.

During 1976 Muscocho carried out an airborne electromagnetic survey in the Montauban area of Quebec, in the vicinity of its gold and base metal properties. Anomalies are being ground-checked under an agreement with Selco Explorations Ltd., and several targets will be tested in 1977. Work on the optioned properties included metallurgical research which indicated that 98% of the gold can be recovered by cyanidation.

Diamond drilling and geophysical work sufficient to satisfy assessment work requirements were performed on Muscocho's extensive Albanel Lake iron ore properties. This work has significantly increased the tonnage potential, previously estimated at 348 million tons on Muscocho's holdings and 200 million tons on claims held jointly with Campbell Chibougamau Mines Limited. Negotiations are continuing with a Quebec Government agency, which holds adjacent reserves, regarding a proposed iron ore project.

Muscocho maintains a small but active general exploration programme independently of the Conwest Group under the direction of Mr. T. Flanagan and Mr. J. McAdam.

MANASAN MINES LIMITED

Conwest holds a 74% interest (Central Patricia Gold Mines, Limited holds an additional 18.5% interest) in Manasan Mines Limited, incorporated in 1964 to acquire certain claims near Thompson, Manitoba, prospective for nickel mineralization. Manasan holds 45 claims in two groups immediately west of the Town of Thompson. Previous exploration of these properties included geophysical surveys and limited diamond drilling carried out in the early 1960's. Results were inconclusive. Manasan recently entered into an agreement with Falconbridge Nickel Mines Limited providing for further exploration of the properties. Subject to achieving certain expenditure levels, Falconbridge may acquire a 66⅔% interest in Manasan. Pursuant to the Manitoba Mineral Disposition Regulation 1974, the Province has elected to participate in the exploration programme to the extent of 50%. Geophysical surveys and diamond drilling have commenced.

BASIN OIL EXPLORATION LIMITED

Your Company holds a 91.5% interest in Basin Oil Exploration Limited.

During 1976, Basin realized $550,000 on the sale of its 5% interest in Bluemount Resources Limited to Ranchmen's Resources (1976) Ltd.

Basin maintains a 7.5% interest in a programme of exploration and development for shallow gas in Okmulgee County, Oklahoma. By year end, several gas wells with modest reserves had been completed and delivery of gas under contract had commenced.

CONWEST EXPLORATION OVERSEAS LIMITED

During 1976 your Company's wholly-owned subsidiary, Conwest Exploration Overseas Limited, realized $240,000 on the sale of its 76% interest in Conwest Exploration (Australia) N.L. to Australia Asiatic Corporation. This sale was considered appropriate in view of the difficulty of public financing in Australia and the dormant position of the Australian mineral property interests.

CONSORTINA INCORPORATED

Your Company holds a 60% interest in Consortina Incorporated. Consortina owns a number of restaurants, lounges and accommodation units in the Metropolitan Toronto area.

During 1976, Consortina made substantial capital outlays for acquisitions and improvements. The funds applied to the acquisition of The Jarvis House (January 1, 1976), The Ports of Call (January 19, 1976), The Ascot Inn (March 1, 1976) and Bemelmans (May 21, 1976) totalled approximately $5,800,000. The funds applied to improvements, which included renovations, equipment, furnishings and artifacts, totalled approximately $2,000,000. As at December 31, 1976 there remained approximately $2,200,000 in capital expenditures to completion. Consortina has financed these capital expenditures through a combination of mortgages, bank loans and subordinated shareholder advances.

For the year ended December 31, 1976, Consortina incurred a loss of $220,000 before depreciation of $185,000 and financing costs of $894,000 including interest on shareholder advances totalling $272,000. Operating profits for The Jarvis House and The Riverside Lodge were in excess of budget. Operating losses for The Ports of Call and The Ascot Inn reflected the disruptions to operations resulting from the extensive renovation and reorganization of these facilities.

The Ports of Call, now known as "The Ports", opened April 25, 1977. Three unique individually-designed dining rooms offer diverse menus at reasonable prices; two lounge areas, again with their own unique design, offer live entertainment. The initial public response has been excellent.

Bemelmans Restaurant, at 83 Bloor Street West, Toronto, opened on May 8, 1977. Bemelmans is a 1920's style restaurant that might be more typically found in New York or New Orleans. Again the public response has been excellent.

At the Ascot Inn, construction and refurbishing are almost complete. Opening of the expanded facilities is scheduled for late June.

Consortina Incorporated is independently managed by a capable and experienced group of executives. The principal officers of Consortina are Messrs. T. G. Kristenbrun, President; R. L. Cowan, Executive Vice-President; I. E. Hickson, Vice-President, Operations; and G. M. Wilson, Secretary-Treasurer.

HSA REACTORS LIMITED

Your Company holds a 36.25% interest in HSA Reactors Limited.

HSA was incorporated in 1975 pursuant to an agreement with EDT Supplies Ltd. of London, England, Barringer Research Limited and Rogers, Bereskin & Parr of Toronto, to continue the research and development of a unique electrochemical system originated at Imperial College, London, England by Dr. Bernard Fleet and Dr. Sankar Das Gupta. Patents have been filed in a number of countries.

The HSA reactor utilizes a unique electrode with a surface area many times greater than that of conventional electrochemical cells resulting in substantially improved electrical efficiencies.

The principal areas of research currently under investigation include the application of the HSA reactor to the treatment of metallic waste effluents, hydrogen generation, organic synthesis and hydrometallurgy. The HSA reactor has been tested successfully for the extraction of toxic non-ferrous metals from solutions in which the metals are present in very low concentrations.

During 1976 the major emphasis has centred on reactor design, scale-up and process testing with the objective of installing a pilot plant in Chicago by mid-1977 to treat metallic waste effluents from a metal finishing plant.

CORPORATE DEVELOPMENTS

The last several years' financial statements of the Company and the auditors' report thereon have contained reference to the legal action of Sittler et al versus the Company. On November 19, 1976 the Court of Appeal of the Yukon Territory dismissed the Appeal of Sittler et al from a June 19, 1974 judgment of the Supreme Court of the Yukon Territory. This concludes the action in which the Company was entirely successful.

The accompanying information circular sets out the details with respect to the proposed creation of series preference shares. There has been a recent trend by many corporations to raise term capital by private placement of preferred shares with institutional lenders. Your Directors believe that it is desirable that the Company have the ability to undertake this type of financing and seek your support for the resolution authorizing the creation of the new class of shares.

MANAGEMENT, STAFF AND EMPLOYEES

Your Directors would like to acknowledge the valuable contributions made by the management, staff and employees of your Company and of Consortina Incorporated.

On behalf of the Board,

MARTIN P. CONNELL,
President.

Toronto, Ontario,
May 19, 1977.

Report on General Exploration

The following summarizes the more significant mineral exploration projects in which your Company participates. They are divided into two groups reflecting the varying interests of the participants.

GROUP I – Conwest 66⅔%, Chimo 20%, Calmor 13⅓%

a) The MacMillan Joint Venture with Essex Minerals Company (a subsidiary of U.S. Steel), and managed by Conwest, continued exploration of its claims 70 miles northwest of the town of Faro in the Yukon. Gravity surveys resumed in 1976 and were completed in the early spring of 1977. Further geochemical sampling this summer will be followed by a compilation of all data to assign priorities for diamond drilling. It is currently anticipated that diamond drilling will be deferred until 1978. The objective of this project is to locate lead-zinc-silver mineralization similar to that in the Faro-Vangorda area to the southeast.

b) The Yava Syndicate, in which the Conwest group retains a 22½% interest and which is managed by Western Mines Limited on behalf of Brascan Resources Ltd. and the Conwest group, carried out limited additional surface exploration during 1976. No further diamond drilling was done; however several new areas of geological interest were developed on the claim group and additional exploration is anticipated for the claims pending other developments in the Northwest Territories which may enhance the feasibility of development in this remote area.

c) The Conwest group, in joint venture with Muscocho Explorations Limited, exercised its option on several claim groups in Lemoine Township adjacent to and along strike from Patino Mines (Quebec) Limited's Lemoine Mine in the Chibougamau area. No further exploration was carried out in 1976, however additional geophysical surveys are being considered. The claims are now held in the name of Stella Lake Mines Limited, in which the Conwest group currently has a 42.28% share interest, Muscocho a 31.05% share interest, the remainder of the shares being held by the original property vendors.

GROUP II – Conwest 30%, Chimo 27%, Calmor 18%, Faraday 25%

a) The Conwest-managed joint venture with Getty Mining Northeast Limited (50%), completed a preliminary evaluation of its large claim block southeast of Moosonee, Ontario. Exploration during 1976 included ground geophysical surveys of selected airborne anomalies followed by diamond drill testing of five of these anomalies. A total of 1,049 feet of diamond drilling was completed in eight holes. No significant mineralization was encountered and no further exploration is planned.

b) Conwest has for the past several years been conducting a regional base metal exploration programme west of Timmins, Ontario. This work has included airborne and ground geophysical surveys and diamond drilling. In early 1977, 1,337 feet of diamond drilling were completed in five holes to test several anomalies. No economic mineralization was encountered, however evaluation of the potential of this area is continuing and further exploration is planned.

c) Early in 1976, Conwest acquired by staking and options eight claim groups in the Bathurst area of New Brunswick. Exploration of these properties to date has included airborne and ground geophysical surveys, geological mapping and geochemical sampling. In addition, 2,314 feet of diamond drilling were completed in two holes on one of the claim groups. As a result of the 1976 work, one of the optioned groups was abandoned while all of the others have anomalous conditions which warrant further investigations. In addition, one new claim group was recently staked. Exploration has just recommenced following breakup. The current property holdings include 411 claims in eight groups.

d) Late in 1976 and early in 1977, Conwest acquired three new base metal prospects in northeastern Ontario and south and central British Columbia. On one of these, recently completed percussion drilling failed to locate significant mineralization. Exploration programmes have just commenced on the others.

Acquisition of the British Columbia prospects reflects a decision to resume more active exploration in that province. Several other prospects are currently under consideration. The Company has recently established a field office in Smithers, British Columbia.

Respectfully submitted,
C. K. O'CONNOR,
Vice-President, Exploration and Development.

Report on the Conwest Canadian Uranium Exploration Joint Venture

The Conwest group, with its co-participants, Central Electricity Generating Board, Eldorado Nuclear Limited, Electrowatt Limited and Empresa Nacional Del Uranio, S.A., are conducting an active programme in Canada to explore for and develop uranium properties. The annual budget for the venture is $1,500,000 with each participant contributing 20% of the budget.

The Joint Venture has an interest in and is exploring claims and other exploration tenements in Saskatchewan, Ontario, Quebec and Newfoundland totalling half a million acres, and is doing reconnaissance exploration in British Columbia, the Northwest Territories and eastern Canada.

In Saskatchewan, work is centred on two large groups of claim blocks along the southeast edge of the Athabasca Basin. The area is almost wholly drift-covered. The surface has been prospected, and the overburden cover along the edge of the Basin has been sampled by rotary drilling. Airborne geophysical surveys were flown in 1976 and 1977, and resulting anomalies are currently being evaluated on the ground. Several anomalies will be drill tested during the coming field season. The Saskatchewan Mining Development Corporation is participating in this programme to the extent of 33⅓%.

Two additional holes were drilled in the Blind River area on properties being explored jointly with Lacana Mining Corporation and Driftex Limited. Total drilling by the Joint Venture now exceeds 15,000 feet in six holes. No ore has been encountered to date.

In Quebec, the Joint Venture explored claims in the Berard Lake area with little encouragement. On the basis of reconnaissance work an exploration permit was acquired on the west side of the Labrador Trough north of Schefferville. The permit will be evaluated in 1977.

In Newfoundland, 43 claims and exploration rights to an adjacent Reid Lot are held in the Portland Canal area. Geophysical, geochemical and radiometric surveys have been partially completed, and some core drilling is planned this year. A second Reid Lot with similar geology has recently been optioned.

Numerous property examinations have been made in many parts of Canada.

Respectfully submitted,
DR. E. F. EVOY,
Technical Director.

Directors' Report to the Shareholders of International Mogul Mines Limited

Your Directors submit the Annual Report for the year ended December 31, 1976. Included are the consolidated financial statements of the Company and the auditors' report thereon. Also enclosed are the notice of annual and general meeting, information circular and form of proxy.

During 1976 the Company continued a policy directed to the reduction of indebtedness and the rationalization of its activities by the sale of certain assets. The proceeds were applied to eliminate long term debt and the demand bank loan, leaving the Company in a strong working capital position.

A brief review of certain of the Company's mineral interests is appended. Your Company will maintain existing programmes and properties where warranted and will continue to initiate new projects as cash flow permits.

As at December 31, 1976 the Company held an 18% interest in Coldstream Mines Limited and further held approximately $4,500,000 in debentures of Coldstream and its subsidiary, Interscan Limited. The debentures are secured by a floating charge on all the assets of Coldstream and Interscan, subject to prior security in favour of Coldstream's bankers.

As at June 4, 1976, the date of your Company's last Annual Report, Coldstream and its subsidiaries had forecast a substantial positive cash flow for the balance of 1976. Based upon review and analysis of that forecast, which was consistent with the historical pattern of sales and revenues of the Coldstream group, and discussions with Coldstream's management and bankers, your Company agreed at that time to a deferral of interest payments until October 31, 1976.

The budget of the Coldstream group was on target for the period ended September 30, 1976; however, revised forecasts presented in late September indicated that the previously predicted level of sales and revenue for the last quarter of 1976 would not materialize. Following further discussions with Coldstream's management and bankers, it was concluded by the Company that Coldstream would be unable to meet its interest commitment on October 31, 1976. Various alternatives were considered and explored, including a possible reorganization or compromise of the Coldstream and Interscan obligations to the Company.

Coldstream and Interscan failed to pay the interest due on October 31, 1976; notice of default under the debentures was given to Coldstream and Interscan on November 2, 1976. Pursuant to agreements dated November 9 and 18, 1976, and pending a possible resolution of Coldstream's difficulties, your Company agreed to accept, at fair market value, certain mining properties of Coldstream in partial satisfaction of the interest due October 31, 1976. The fair market value of the mining properties was subsequently determined, by an independent consultant selected by both companies for that purpose, to be $265,000.

In November and December of 1976 receivers of certain Coldstream subsidiaries were appointed by The Toronto-Dominion Bank pursuant to the Bank's security, and the Company appointed receivers of Coldstream and Interscan pursuant to the terms of the debentures. These receivers were appointed in order to provide for an orderly realization of the assets of the Coldstream group.

As at the date of this report, your management cannot estimate what recoveries, if any, will be forthcoming, whether on realization of security pursuant to the debentures, or otherwise. Provision in full for loss on the investment in shares of Coldstream and the Coldstream and Interscan debentures has been made in the 1976 financial statements.

As was indicated at the last annual meeting of the Company, International Mogul has substantial potential deductions available to shield income that would otherwise be subject to income taxes. These available deductions represent current and prior years' exploration and development expenditures, current and prior years' operating losses and unclaimed capital cost allowances. The total amounts deductible by the Company are estimated to be in excess of $15,000,000.

Your management has been actively seeking a suitable direct investment in the Canadian mineral resource sector which would provide immediate cash flows and allow utilization of the tax deductions currently available to the Company. Your Board is of the opinion that the best opportunity for this type of investment currently lies in the Canadian oil and gas sector. In the last eight months, a large number of potential acquisitions have been screened and five of these have been subjected to a detailed evaluation by independent consultants on behalf of the Company. To date none of the investment opportunities reviewed has satisfied the criteria established by your Board for an acceptable balance betweeen risk and return. The identification of a suitable acquisition remains the top priority of your management.

The last several years have been disappointing ones for the Company and its Shareholders. Your present Board and management believe that the Company's strong working capital position and favourable fiscal status provide a sound base for capitalizing on opportunities for participation in Canadian resource exploration and development and for re-establishing a pattern of growth in assets and earnings.

On behalf of the Board,

MARTIN P. CONNELL,
President.

Toronto, Ontario,
May 19, 1977.

Chance Mining and Exploration Company Limited

Report of the Directors

To the Shareholders,
Chance Mining and Exploration Company Limited.

Chance holds a number of claim groups, consisting of 57 claims in total, in the Timmins area of Ontario. These claims were acquired following the major copper-zinc-silver discovery by Texasgulf in Kidd Township in the early 1960's. Chance conducted a comprehensive programme of geophysics and diamond drilling on these claims in the period 1964-67. No significant mineralization was encountered and it was concluded at that time that no further exploration was warranted. The properties have been maintained and periodically reassessed in the intervening ten-year period and the conclusion remained that no further exploration was warranted.

Pursuant to a letter dated March 15, 1977, Chance agreed with Texasgulf Canada Limited to grant an option whereby Texasgulf would have had the right to explore on 40 of the Chance mineral claims and develop any of these properties into commercial production. Chance would have retained a right to 10% of the operating profits derived from production on any of the properties computed without any deductions for Texasgulf's costs of exploration, development or capital costs or interest related thereto.

Subsequent to March 15, 1977, new information came to the attention of both parties with respect to the relative locations of a diamond drill hole completed by Texasgulf and the southerly boundary of one of the Chance properties, being the south half, Lot 6, Concession 6, Kidd Township. It was determined that the drill hole, the existence of which was previously unknown to Chance and which was completed by Texasgulf prior to March 15, 1977, had been collared on the Chance property and had intersected significant zinc-lead-silver mineralization on or near the south boundary of the Chance property.

Consequently, Chance and Texasgulf negotiated, subject to Chance shareholder approval, new agreements, both dated May 12, 1977, the terms of which are fully set out in the Information Circular accompanying this report. The first agreement deals with the four leased claims located on the south half, Lot 6, Concession 6, Kidd Township, together with the adjacent half lot to the south held by Texasgulf. The second agreement deals with the remaining 36 claims in Kidd and Carnegie Townships.

This recent discovery by Texasgulf is highly significant and presents a valuable opportunity for your Company to participate in an exciting exploration programme.

Your Board is of the opinion that the terms contained in the agreements with Texasgulf are attractive and solicits your support of the resolution to be voted on at the meeting.

Your Company retains title to a further 17 claims in the Timmins area that are not the subject of any agreements.

Enclosed herein you will find a report by Mr. C. K. O'Connor, Exploration Manager of Chance Mining and Exploration Company Limited.

On behalf of the Board,

MARTIN P. CONNELL,
President.

Toronto, Ontario,
May 17, 1977.

Chance Mining and Exploration Company Limited

Report on the Chance Mineral Properties

The claims which are the subject of the May 12, 1977 agreements between the Corporation and Texasgulf are located in Kidd and Carnegie Townships and comprise six separate groups as shown on the accompanying plan.

With respect to the south half, Lot 6, Concession 6, Kidd Township, Chance previously carried out a Turam geophysical survey in two directions and drilled two holes aggregating 1,595 feet to test a conductor striking northwesterly in the southwest quadrant of the property. These holes encountered several narrow bands of graphitic argillite containing minor amounts of barren sulphides sufficient to explain the conductor. Only trace amounts of base and precious metal values were detected. The conductive zones occur within a sequence of interbanded rhyolitic and andesitic volcanic rocks.

The diamond drill hole recently completed by Texasgulf, also shown on the accompanying plan, intersected a core length of 15.2 feet from 367.4 feet to 382.6 feet of massive sulphides which assayed 14.1% zinc, 1.96% lead and 4.64 ounces of silver per ton.

A correlation of the geophysical surveys carried out by Chance and by Texasgulf suggests that the Chance holes and the recent Texasgulf hole tested the same geological horizon. The horizontal distance along the trace of the conductor between the Texasgulf hole and the nearest Chance hole is approximately 900 feet. That portion of the conductor containing the mineralization in the Texasgulf hole is striking approximately east-west.

The mineralization is contained within a thick band of graphitic argillite. The conductor which reflects this horizon continues in an easterly direction to the eastern boundary of the Chance property. The drill core indicates that the conductivity is primarily caused by the graphitic argillite as opposed to sulphides.

With the information presently available it is not possible to predict whether the mineralization intersected in the Texasgulf hole is representative of ore in economic quantities, nor is it possible to predict whether, if such ore is found, it will be found on the Chance property or on the Texasgulf property, immediately to the south, or on both. The continuity of the mineralization in this conductor encountered in the discovery hole drilled by Texasgulf will only be established by further diamond drilling.

These recent developments with respect to the four claims comprising the south half, Lot 6, Concession 6, do not materially affect our assessment of the other claims held by the Corporation.

The agreement covering the other five claim groups in Kidd and Carnegie Townships being optioned to Texasgulf provides for an exploration expenditure of $50,000 per year for a two-year period. The exploration will take the form of overburden drilling to assist geological orientation, and deep penetrating geophysical survey where warranted. There are at present no specific diamond drill targets.

The Corporation's remaining 17 claims in Wark, Crawford and Godfrey Townships will be maintained in good standing, if warranted, pending future developments in the area.

Respectfully submitted,

C. K. O'CONNOR,
Exploration Manager.

May 17, 1977.

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Consolidated Balance S

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ASSETS

	1976			1975
	Total	Mineral Resource Operation	Restaurant and Hotel Operation	Total
Current:				
Cash	**$ 150,736**	$ 150,736		
Term deposits and commercial paper, at cost which approximates market value	**10,330,840**	10,330,840		$ 254,940
Accounts receivable	**1,021,778**	845,524	$ 176,254	725,344
Prepaid expenses	**42,500**	1,963	40,537	
Inventory	**106,691**		106,691	
Current portion of notes receivable	**365,215**	365,215		365,215
Total current	**12,017,760**	11,694,278	323,482	1,345,499
Investments (notes 3 to 5)				
Shares with a quoted market value (market value 1976 — $12,050,729; 1975 — $7,653,520)	**10,026,146**	10,026,146		6,823,712
Notes receivable	**325,854**	325,854		641,635
Effectively controlled companies accounted for on the equity basis	**1,553,985**	1,553,985		5,232,950
Other shares and advances	**1,133,158**	1,133,158		1,295,812
Total investments	**13,039,143**	13,039,143		13,994,109
Resource properties and deferred expenditures thereon (note 6)	**4,286,689**	4,286,689		1,644,082
Fixed (note 7)	**7,812,651**	5,440	7,807,211	1,033,776
Other:				
Deferred past service pension cost (note 8)	**83,016**	83,016		
Deferred income taxes	**83,200**		83,200	109,500
Goodwill	**556,417**		556,417	357,000
Total other	**722,633**	83,016	639,617	466,500
	$37,878,876	$29,108,566	$ 8,770,310	$18,483,966

On behalf of the Board

M. P. CONNELL, Director
J. C. LAMACRAFT, Director

AUDIT

To the Shareholders of
Conwest Exploration Company Limited:

We have examined the consolidated balance sheet of Conwest Exploration Company Limited as at December 31, 1976 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. For Conwest Exploration Company Limited and for those other companies of which we are the auditors and which are consolidated or accounted for by the equity method in these financial statements, our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as

Toronto, Canada
May 19, 1977.

~~C~~ompany Limited

~~…~~ Corporations Act)

— December 31, 1976

~~…~~ecember 31, 1975)

LIABILITIES

	1976 Total	1976 Mineral Resource Operation	1976 Restaurant and Hotel Operation	1975 Total
Current:				
Bank overdraft	$ 157,549		$ 157,549	$ 119,206
Bank loan (note 9)	481,100	$ 481,100		1,137,000
Accounts payable and accrued liabilities	1,242,731	525,279	717,452	441,878
Current portion of long-term debt	372,693	10,000	362,693	120,718
Total current	2,254,073	$ 1,016,379	$ 1,237,694	1,818,802
Long-term debt (notes 9 and 10)	8,681,257			263,500
Unfunded portion of past service pension benefits (note 8)	236,416			166,600
	11,171,746			2,248,902
Minority interest	10,839,205			708,673
Shareholders' equity:				
Share capital				
Authorized:				
3,000,000 shares of no par value				
Issued:				
2,500,000 shares	1,284,998			1,284,998
Retained earnings	14,582,927			14,241,393
	15,867,925			15,526,391
	$37,878,876			$18,483,966

The accompanying notes are an integral part of these financial statements.

~~…~~ORT

~~…~~we considered necessary in the circumstances. For other companies consolidated or accounted for by the equity method ~~…~~we have relied on the reports of the auditors who have examined their financial statements.

In our opinion, these financial statements present fairly the consolidated financial position of the company as at ~~…~~December 31, 1976 and the results of its operations and the changes in its financial position for the year then ended in ~~…~~accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

CLARKSON, GORDON & CO.
Chartered Accountants.

Conwest Exploration Company Limited

CONSOLIDATED STATEMENT OF RETAINED EARNINGS
For the Year Ended December 31, 1976
(with comparative figures for the year 1975)

	1976	1975
Retained earnings at beginning of year	**$14,241,393**	$15,825,159
Net income (loss) for the year	**341,534**	(1,583,766)
Retained earnings at end of year	**$14,582,927**	$14,241,393

The accompanying notes are an integral part of these financial statements.

Conwest Exploration Company Limited

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

For the Year Ended December 31, 1976

(with comparative figures for the year 1975)

	1976		1975	
MINERAL RESOURCE OPERATION				
Source of funds:				
Gain (loss) on disposal of investments	$ 2,444,287		$ (4,146)	
Investments and other income (net of items not involving an outlay of funds)	542,226	$ 2,986,513	467,054	$ 462,908
Repayments of notes receivable		365,211		365,211
Working capital acquired on consolidation of International Mogul Mines Limited (note 2)	5,902,150			
Less cost of 1976 investment	705,143	5,197,007		
		8,548,731		828,119
Application of funds:				
Working capital of subsidiary sold	321,023			
Less proceeds on sale	242,090	78,933		
Direct and general exploration, development and administrative —				
Gross expenditures	3,769,414		1,828,492	
Less recovered from others	3,129,789		898,708	
	639,625		929,784	
Subscription to shares in, and advances to, other mining exploration or development companies	217,445		157,918	
Net funds applied		857,070		1,087,702
Investment transactions —				
Cost of investments purchased	4,610,291		5,755,741	
Cost of investments sold	7,873,185		(1,158,690)	
Investment funds transferred (to) from working capital		(3,262,894)		4,597,051
Dividend paid by International Mogul Mines Limited (note 2)		87,420		
		(2,239,471)		5,684,753
Net funds from (applied to) mineral resource operation before undernoted items		$ 10,788,202		$ (4,856,634)
RESTAURANT AND HOTEL OPERATION				
Application of funds:				
Loss from operations (net of items not involving an outlay of funds)		$ 217,104		$ 46,581
Purchase of fixed assets and goodwill		7,149,970		1,044,951
Net funds applied to restaurant and hotel operation before undernoted items		$ 7,367,074		$ 1,091,532
Total increase (decrease) in working capital before undernoted items		$ 3,421,128		$ (5,948,166)
Long-term borrowings (net of $609,850 repaid or included in current liabilities)		8,178,024		134,927
Interest expense		(888,859)		(41,605)
Net increase (decrease) in working capital		10,710,293		(5,854,844)
Working capital (deficiency) at beginning of year		(473,303)		5,381,541
Working capital (deficiency) at end of year		$ 10,236,990		$ (473,303)

The accompanying notes are an integral part of these financial statements.

Conwest Exploration Company Limited

CONSOLIDATED STATEMENT OF INCOME
For the Year Ended December 31, 1976
(with comparative figures for the year 1975)

	1976	1975
Mineral resource operation:		
Dividend and interest income	$ 503,133	$ 508,313
Gain (loss) on disposal of investments	2,444,287	(4,166)
Gain on disposal of mining properties	49,531	
Other income	92,678	3,539
	3,089,629	507,686
General exploration and administrative expense together with the cost of current and prior years' direct exploration and development expenditures on resource interests which were abandoned during the year (note 1)	1,661,008	2,053,495
Less portion of expenditures recovered from other companies	725,682	330,073
	935,326	1,723,422
Corporate expense	23,010	28,190
Other expenses	1,435	12,286
Write-down of investments	139,211	558,608
Company portion of losses of effectively controlled companies accounted for on the equity basis	62,210	
	1,161,192	2,322,506
Income (loss) from mineral resource operation before undernoted items	$ 1,928,437	$(1,814,820)
Restaurant and hotel operation:		
Revenue	$ 4,278,435	$ 624,458
Cost of sales and administrative expenses	4,495,539	671,039
Depreciation and amortization	185,414	42,716
	4,680,953	713,755
(Loss) from restaurant and hotel operation before undernoted items	$ (402,518)	$ (89,297)
Total income (loss) from mineral resource and restaurant and hotel operations before undernoted items	$ 1,525,919	$(1,904,117)
Interest on long-term debt	705,840	25,795
Other interest expense	183,019	15,810
	888,859	41,605
Income (loss) before income taxes, minority interest and extraordinary item	637,060	(1,945,722)
Income tax charge (credit)	74,709	(103,500)
Income (loss) before minority interest and extraordinary item	562,351	(1,842,222)
Minority interest in net income (losses) of consolidated companies	268,817	(252,456)
Income (loss) before extraordinary item	293,534	(1,589,766)
Extraordinary item:		
Income tax reduction from application of exploration and development expenses of prior years (note 11)	48,000	6,000
Net income (loss) for the year	$ 341,534	$(1,583,766)
Earnings (loss) per share before extraordinary item	$0.12	$(0.64)
Earnings (loss) per share	$0.14	$(0.63)

The accompanying notes are an integral part of these financial statements.

Conwest Exploration Company Limited

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 1976

1. Summary of significant accounting policies

(a) Long-term inter-corporate investments —

The accompanying financial statements include, on a consolidated basis, the accounts of the company, all of its subsidiaries, and an effectively controlled company (International Mogul Mines Limited) in which Conwest holds a 49% interest. The accounts of this company are included in consolidation because the shares not owned by Conwest (included in "minority interest" in these financial statements) are widely held and because it is management's opinion that the company is properly viewed, together with Conwest and its subsidiaries, as a single economic entity. The following companies are included on a consolidated basis:

	Conwest Equity
Basin Oil Exploration Limited	91%
Bay Copper Mines Limited	80
Chance Mining and Exploration Company Limited	54
Coniska Copper Mines Limited	50
Consortina Incorporated (indirect ownership)	63
Conwest Exploration Overseas Limited	100
Edlon Mines Limited	77
International Mogul Mines Limited	49
Manasan Mines Limited	73
Ontario Lithium Company Limited	83
Willow Creek Mines	100

Conwest's interest in other companies of which it has effective control are accounted for on the basis of cost plus Conwest's net equity in undistributed earnings in such companies since the date of acquisition of effective control. The following companies are accounted for on the equity method:

	Conwest equity
Hucamp Mines Limited	38%
Liard Fluorspar Mines Limited	47
Muscocho Explorations Limited	29
West Graham Mines Limited	48
	Mogul equity
Delhi Pacific Mines Limited	38%

Other long-term investments are carried at cost or at cost less amounts written off to reflect a decline which is other than temporary.

(b) Segmented reporting —

The accompanying financial statements have been prepared on a segmented basis to provide a meaningful comparison of the component parts of the company's operations. Inter-company investments and transactions have been eliminated from the financial results of each operation.

(c) Resource properties and deferred expenditures therein —

The company, its subsidiaries and International Mogul Mines Limited write off all general exploration expenditures incurred during the year and capitalize the direct cost of acquisition, and expenditures thereon, of resource properties which were in good standing at the year end. Upon disposal or abandonment of such properties the net gain or loss is reflected in the statement of income.

(d) Inventory —

Inventory, consisting of restaurant and hotel supplies, is valued at the lower of cost on a first-in, first-out basis and replacement cost.

(e) Fixed assets —

Fixed assets are valued at cost and depreciated over their estimated useful lives as follows:

Buildings	— 4% straight line
Furniture, fixtures and equipment	— 10% straight line
Leasehold improvements	— over the remaining term of the lease plus the first renewal option

(f) Goodwill –
Goodwill represents the excess of the purchase price on the acquisition of restaurants or hotels, over the fair market value of the assets acquired. Goodwill is being amortized on a straight line basis over a period of twenty (20) years from the date of the respective acquisitions.

2. Consolidated effectively controlled companies

As previously reported, the company purchased 995,585 common shares (40.3%) of International Mogul Mines Limited for $3,982,340 cash and in October, 1976 purchased an additional 215,736 common shares (8.8%) for $705,143 cash to bring its holding to 49.1% of the voting shares. The accounts of Mogul have been included in the accompanying financial statements on a consolidated basis of accounting for the period commencing October 1, 1976. For the period January 1 to September 30, 1976 the equity basis of accounting has been followed. In consolidating the accounts of Mogul the company has used the purchase method of accounting.

Investment of Conwest at September 30, 1976 is comprised of:

Cost of acquisition –	
October, 1975	$ 3,982,340
October, 1976	705,143
	4,687,483
Portion of loss for period January 1, 1976 to September 30, 1976	31,927
	$ 4,655,556

The company has assigned the following costs to Mogul's net assets at September 30, 1976:

Current assets	$ 6,218,547
Current liabilities	(316,397)
Net working capital	5,902,150
Investments with a quoted market value	4,310,863
Other shares and advances	2,011,542
Resource properties and deferred expenditures	2,919,232
Fixed assets	5,603
	15,149,390
Minority interest	(10,493,834)
Investment by Conwest	$ 4,655,556

3. Shares with a quoted market value

The quoted market value of these shares at December 31, 1976 was $12,050,729 (1975 – $7,653,520).

Because of the number of shares held in certain companies, the quoted market values are not necessarily indicative of the value of the investments, which may be more or less than indicated by market quotations.

4. Non-interest bearing notes receivable

	1976	1975
Notes receivable from Pine Point Mines Limited in consideration for mining claims sold to Pine Point in 1974	$ 675,402	$ 989,183
Mortgage receivable from an officer	15,667	17,667
	691,069	1,006,850
Less current portion	365,215	365,215
	$ 325,854	$ 641,635

The amounts receivable from Pine Point do not bear interest and accordingly, the company has discounted the future instalments by 5%. The discount (December 31, 1976 – $51,027) has been deducted from notes receivable and the amortization for the year is included in interest income.

5. Effectively controlled companies accounted for on the equity basis

	December 31, 1976			
	Number of shares	Percentage interest	Carrying value	Quoted market value
Investments with quoted market value –				
Muscocho Explorations Limited	1,300,000	29.1%	$ 489,718	$ 214,500
Delhi Pacific Mines Limited	1,559,498	37.8%	128,820	171,545
Hucamp Mines Limited	662,205	37.8%	64,147	397,323
			682,685	$ 783,368
Other investments and advances			871,300	
Total investment in effectively controlled companies			$1,553,985	

Subject to certain conditions Conwest may become committed to finance additional exploration expenditures of Muscocho, at Muscocho's option, to a maximum of $2,000,000 to the end of 1978, by way of subscribing for a combination of shares and income debentures of Muscocho. The company had advanced $205,000 under this agreement, of which $93,000 has been repaid at December 31, 1976, and is entitled to receive 205,000 common shares and 6% debentures in the amount of $112,000. Since the shares were not issued until after December 31, 1976, the share entitlement is not reflected in the accompanying financial statements. The debentures are included in "other investment and advances". The share entitlement at December 31, 1976 is 205,000 and when combined with previous shareholdings will represent 32.2% of the voting shares of Muscocho (after adjusting for the issuance of the aforementioned shares).

6. Resource properties at cost and deferred expenditures thereon

	1976	1975
Balance at beginning of year	$1,644,082	$2,503,018
Add:		
Properties and expenditures acquired on consolidation of International Mogul Mines Limited	2,919,232	
Current year's expenditures capitalized net of related recoveries of $645,597 (1975 — $568,635)	292,139	212,671
	4,855,453	2,715,689
Deduct expenditures charged to income	568,764	1,071,607
Balance at end of year	$4,286,689	$1,644,082

(a) Pursuant to an agreement dated December 1, 1975, three other companies agreed to participate with the company in certain exploration projects of the company commenced prior to December 31, 1975 and all non-hydrocarbon exploration subsequent to January 1, 1976. The participants have agreed to expenditures of up to $1,500,000 annually for the three years ended December 31, 1978 allocated pro rata in accordance with their interests as follows:

Conwest	30%
Chimo Gold Mines Limited	27
Calmor Iron Bay Mines Limited	18
Consolidated Canadian Faraday Limited	25

This agreement does not affect the agreement with respect to the Conwest Canadian Uranium Exploration Joint Venture agreement referred to in (b) below.

(b) Pursuant to an agreement dated March 18, 1976, Conwest Exploration Company Limited, Eldorado Nuclear Limited (a Canadian company), Empresa Nacional del Uranio S.A. (a Spanish company), Electrowatt Limited (a Swiss company) and Central Electricity Generating Board (a British agency) entered into a joint venture in connection with the exploration and development of uranium resources in Canada.

In addition to amounts paid to December 31, 1976, the agreement provides for contributions by each joint venturer in the following base amounts, subject to upward adjustment based on changes in the Consumer Price Index for Canada:

Year ended December 31	Required from each of the five joint venturers	Total to be received
1977	$300,000	$1,500,000
1978	300,000	1,500,000
1979	300,000	1,500,000
1980	200,000	1,000,000
Total		$5,500,000

Certain companies have agreed with Conwest to participate in Conwest's interest in the joint venture. These companies and Conwest will contribute their pro rata share of Conwest's exploration commitment and are entitled to pro rata shares of Conwest's entitlements:

Conwest	25%
Consolidated Canadian Faraday Limited	25
International Mogul Mines Limited	25
Chimo Gold Mines Limited	15
Calmor Iron Bay Mines Limited	10

7. Fixed assets –

	1976			1975
	Restaurant and Hotel Operation	Mineral Resource Operation	Total	Total
Buildings	$2,485,734		$2,485,734	$ 600,164
Furniture, fixtures and equipment	1,774,275	$ 100,370	1,874,645	294,447
Leasehold improvements	189,319		189,319	
	4,449,328	100,370	4,549,698	894,611
Accumulated depreciation and amortization	196,141	94,930	291,071	57,242
	4,253,187	5,440	4,258,627	837,369
Land	2,417,507		2,417,507	196,407
Construction in progress	1,136,517		1,136,517	
	$7,807,211	$ 5,440	$7,812,651	$1,033,776

8. Pension costs

The balance of deferred pension costs, based on an actuarial valuation at December 31, 1976, will be charged to operations in equal instalments of $16,600 in the years 1977 to 1981. The present value of the unfunded portion of past service benefits is being funded by annual payments of $35,700 (including interest) to December 31, 1981 and thereafter by annual payments of $19,000 (including interest) to December 31, 1988.

9. Bank loan

The bank loan of $481,100 bears interest at the prime rate (9¼% at December 31, 1976). This bank loan, together with the term bank loans described in note 10, are evidenced by demand promissory notes. Against these loans 259,059 shares of Cassiar Asbestos Corporation Limited and 1,211,321 shares of International Mogul Mines Limited have been pledged as collateral security.

10. Long-term debt

	Current	Long-term
(a) Term bank loans –		
Interest at bank prime plus ¼%		$2,000,000
Less mortgage refinancing commitment subsequent to year end (see below and note 15(b))		1,250,000
Balance payable April 30, 1978		750,000
Interest at bank prime plus 1¾%, payable as to $200,000 in 1977 with the balance of the loan repayable over the remainder of the term ending December 31, 1981 on a repayment schedule yet to be established	$ 200,000	3,800,000
Total term bank loans	200,000	4,550,000
(b) Mortgages –		
– Secured by land and buildings having a cost of $2,675,677		
10% First mortgage payable $50,000 per annum (principal only), due January 19, 1991	50,000	1,292,630
– Secured by land and buildings having a cost of $1,299,454		
8% First mortgage payable	35,489	
4% Second mortgage payable $26,692 per annum (interest and principal), due June 1, 1980	19,371	171,803
10¾% Third mortgage payable interest only to August 1, 1977, thereafter $112,224 per annum (interest and principal), due March 1, 1986	4,668	931,032
– Secured by land and buildings having a cost of $621,064		
9½% First mortgage payable $6,000 per annum (principal only), due June 22, 1980	6,000	127,500
	115,528	2,522,965
Refinanced bank loan (see above), interest at bank prime plus 2½%, payable $62,460 per annum (principal and interest) with balance of loan due May 15, 1982	38,520	1,211,480
Total mortgage loans	154,048	3,734,445
(c) Other –		
Due to minority shareholders, interest at bank prime plus 4¾% and 5%, no fixed repayment terms	8,645	276,812
Non-interest bearing notes payable $10,000 per annum (principal only)	10,000	120,000
Total other	18,645	396,812
Total long-term debt	$ 372,693	$8,681,257

11. Income taxes

Under the Income Tax Act certain of the company's exploration and development expenditures (included in mining properties and expenditures or previously written off and deducted from retained earnings) are available to reduce income for tax purposes.

A deferred tax liability that would otherwise have been accrued for 1976 ($48,000; 1975 — $6,000) has been eliminated by the application of such expenditures. The company is currently undertaking a study to determine the amounts of such expenditures available to it for application against future taxable income. While this study is not completed, the company estimates the amount available will be in excess of $5,000,000.

12. Remuneration of officers and directors

The company has 7 directors and 6 senior officers (as defined in The Canada Corporations Act), 4 of whom are directors. Aggregate direct remuneration during 1976 was as follows:

	As directors	As officers
Directors	$ 1,500	
Officers	1,200	$79,443
	$ 2,700	$79,443

Central Patricia Gold Mines, Limited pays substantially all the remuneration of directors and senior officers of certain related companies (the Conwest Group) and is reimbursed by these companies for their proportionate share. During the year, Conwest's share of the amounts so paid was $64,443 which is included in the $79,443 referred to above.

13. Reclassification of 1975 comparative figures

Certain of the 1975 comparative figures have been reclassified to conform with groupings adopted in 1976. There has been no change in 1975 net loss previously reported.

14. Anti-Inflation programme

As a public company Conwest is subject to shareholder dividend restrictions under the Anti-Inflation Act (presently scheduled to be in force to December 31, 1978). In May, 1977 the company, and its subsidiaries, became subject to the mandatory compliance provisions which control profit margins and employee compensation.

While the full effect of the guidelines has yet to be determined, management is of the opinion that the programme will not have a material effect on the operations of the resource division and that profit margins in the hospitality division will not be adversely affected as a result of that division's substantial losses to December 31, 1976.

15. Subsequent events

(a) Pursuant to an agreement subsequent to the year end, Chance Mining and Exploration Company Limited, a 54% owned subsidiary of Conwest, optioned four of its leased mining claims near Timmins, Ontario to Texasgulf Canada Ltd. The agreement provides for certain option payments and work commitments totalling $3,300,000. If Texasgulf elects to put the property into commercial production, Chance will receive a 20% interest in the operating profit. Costs of putting the property into commercial production are to be borne by Texasgulf with no recovery from Chance.

The rights of the company to participate in the 20% operating profits shall include profits realized from commercial production on a half-lot held by Texasgulf immediately to the south of the aforementioned property.

The above agreement is subject to the approval of the shareholders of Chance.

(b) Subsequent to December 31, 1976, Consortina Incorporated accepted an offer from an institutional lender to provide financing of $1,250,000. Subject to satisfactory completion of the terms of the offer, certain of Consortina's assets (included in "Restaurant and hotel operations" in the accompanying consolidated balance sheet) will be mortgaged and charged. Under the terms of the offer, the proceeds are to be applied to reduce bank indebtedness from $6,000,000 to $4,750,000. This financing, which bears interest at the prime bank rate plus 2½% (subject to a minimum of 9½%), is expected to close on or before June 30, 1977.

(c) Consortina Incorporated has estimated future commitments for construction, remodelling and purchasing of fixed assets of approximately $2,235,000.